

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-03 INR-07

NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 FTC-01 AGR-05 INT-05 PA-01 PRS-01

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R 020310Z JUN 75

FM AMZMBASSY KABUL

TO SECSTATE WASHDC 2786

INFO USDOC WASHDC

C O N F I D E N T I A L KABUL 3449

EO 11652: GDS

TAGS: BEXP, BMEP, AF

SUBJ: MAJOR PROJECT: INDUSTRIAL DEVELOPMENT CORPORATION (IDC)

REFS: A) STATE 120280; B) KABUL 3156; C) STATE 126658

1. SUMMARY. IECO REPS DISCOURAGED BY TREND OF IDC NEGOTIATIONS, BUT STILL WILLING TO CONSIDER GOA OFFER. GOA OFFICIALS OTHER THAN TOUFIQI CAST SOME DOUBT ON POTENTIAL OF PROPOSAL. FISHBACH STILL PURSUING ITS JOINT VENTURE NEGOTIATIONS. IECO AND FISHBACH HOPEFUL ON AWARD OF VARIOUS PROJECTS EVEN IF IDC FALLS THROUGH. END SUMMARY.

2. SERIES OF WIDE-RANGING DISCUSSIONS BETWEEN EMBASSY, VISITING EECO REPS AND GOA OFFICIALS HAS SUCCEEDED IN CLARIFYING SOMEWHAT GROUND RULES FOR POSSIBLE US PRIVATE PARTICIPATION IN AFGHAN GOVERNMENT-SPONSORED CONSULTANCY, INVESTMENT AND CONSTRUCTION PROJECTS. EMBASSY BRIEFED IECO VICE PRESIDENT SAKARIA AND MORRISON-KNUDSEN ASSISTANT GENERAL COUNSEL SCHLANGER ON AMATEX SCENARIO PRIOR THEIR INITIAL MEETING WITH GOA PRESIDENT INDUSTRIES TOUFIQI ON MAY 24.

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3. IECO REPS HAVE NOW BEEN TOLD BY TOUFIQI THEIR JOINT VENTURE PROPOSAL FOR IDC WAS NOT RPT NOT ACCEPTABLE UNDER TERMS PRESENTED ON MAY 24. COPY IECO LETTER OFFER BEING POUCHED FOR DEPT INFORMATION. STICKING POINT REMAINS QUESTION OF EQUITY. IECO OFFER SUGGESTED \$1.2 MILLION CAPITALIZATION, WITH IECO PUTTING IN \$200 THOUSAND, WITH REMAINDER FROM GOA. TOUFIQI'S REACTION WAS THAT THIS AMOUNT FAILS TO PROVIDE IDC WITH SUFFICIENT "STATURE" TO ASSUME EXPECTED \$100 MILLION IN INDUSTRIAL CONSTRUCTION CONTRACTS - A NECESSARY PRE-REQUISITE FOR TAKING ON PLANNING AND MANAGEMENT ROLE. IECO IS UNWILLING TO PUT UP \$2 MILLION AS SUGGESTED BY TOUFIQI SINCE MONEY WILL BE MERELY "FRONT" OR EARNEST MONEY - SERVING NO FUNCTION. TOUFIQI REMAINS ADAMANT AND STATES HE CAN RECEIVE TWELVE OFFERS BETTER THAN IECO'S. IECO VP SAKARIA HAS NOW LEFT AFGHANISTAN. HE WILL CONSULT WITH FISHBACH-MOORE INTERNATIONAL (FMI) AT TOUFIQI'S SUGGESTION, AND WITH OPIC, POSSIBLY OTHER BANKERS, TO DETERMINE IF MONEY COULD BE FOUND TO SATISFY TOUFIQI. SAKARIA CONSIDERS, HOWEVER, THAT BALL IS IN TOUFIQI'S HANDS. HE WILL TAKE NO FURTHER ACTION UNTIL HE RECEIVES A WRITTEN RESPONSE TO HIS PROPOSAL.

4. IN MAY 31 DISCUSSION WITH AMBASSADOR, HOWEVER, MIN PLAN KHURRAM PROFESSED IGNORANCE ANY GOA AUTHORIZATION TO TOUFIQI FOR ESTABLISHMENT OF IDC-TYPE MANAGEMENT CONSULTANCY FOR INDUSTRIAL PROJECTS. HE ADDED THAT GOA IS SEEKING CONSULTING ENGINEERING FIRM FOR SPECIFIC INDUSTRIAL CONSTRUCTION PROJECTS, BUT NOT RPT NOT MANAGEMENT CONSULTING TEAM EITHER IN MINISTRY MINES AND INDUSTRIES, OR IN PLANNING.

5. AT SAME TIME, LOCAL FMI REP GIVENS REPORTS THAT HIS DISCUSSIONS WITH TOUFIQI RE JOINT VENTURE CONSTRUCTION FIRM HAVE REACHED A PLATEAU. GIVENS HAS PROVIDED A DRAFT LETTER OF INTENT PLUS A DRAFT JOINT VENTURE AGREEMENT TO TOUFIQI, AND WILL TAKE NO FURTHER ACTION UNTIL TOUFIQI RESPONDS. BOTH GIVENS AND IECO'S SAKARIA HAVE BEEN ASKED TO CONSIDER COMING INTO THE IDC TOGETHER. APPARENTLY, TOUFIQI IS PREPARED TO GO AHEAD ON A SIMPLE CONSTRUCTION FIRM IDEA IF HIS IDC PLANS ARE NOT SUCCESSFUL, BUT STILL PREFERS IDC CONCEPT.

6. GIVENS HAS ALSO BEEN APPROACHED BY CHIEF OF THE NEW WATER  
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AND POWER AUTHORITY MOHAMMEDI TO CONSIDER CONSTRUCTION JOINT VENTURE WITH WAPA FOR IRRIGATION PROJECTS. FMI ALSO PRE-QUALIFIED FOR KAJAKAI SPILLWAY GATES AND ADB-FINANCED HELMAND VALLEY ROAD, AS WELL AS OFFERING CONSTRUCTION PART OF AMATEX PACKAGE ON KANDAHAR TEXTILE PLANTS. IECO HAS SUBMITTED BID ON RAILROAD PROJECT, KAJAKAI SPILLWAY, AND IS DISCUSSING WITH MOHAMMEDI CERTAIN ADDITIONAL CONSTRUCTION WORK ON KAJAKAI WATER INTAKE STRUCTURE (NECESSARY FOR EASY INSTALLATION OF

ADDITIONAL CAPACITY AT POWER STATION). BOTH COMPANIES REMAIN INTERESTED IN JOINT VENTURE WITH TOUFIQI, BUT ARE NOT PUTTING ALL THEIR EGGS IN IDC BASKET.

7. ANNOUNCEMENT EVENING MAY 31 THAT GOA HAS DECIDED NATIONALIZE ALL BANKS (SEPTTEL) DEALS FURTHER BLOW TO PRIVATE ENTERPRISE CLIMATE. BOTH IECO AND FMI REPS HAVE BEEN INFORMED OF THIS ACTION, FOR WHATEVER DECISION THEY WISH TO MAKE ABOUT THEIR OWN DESIRE TO INVEST IN AFGHANISTAN.

8. COMMENT: IT IS CLEAR THAT THERE ARE DIFFERENCES OF OPINION WITHIN THE GOA ABOUT WHAT THE IDC IS INTENDED TO BE. TOUFIQI'S OWN DESULTORY HANDLING OF IDC NEGOTIATIONS WITH IECO INDICATES THAT HE IS HIMSELF STILL UNDECIDED. RATHER THAN MAKE A CONCRETE PROPOSAL, HE IS STILL FISHING FOR IDEAS. IT APPEARS THAT HE HAS GOA SUPPORT FOR A LIMITED IDC CONSTRUCTION JOINT VENTURE, BUT THAT BROADER MANAGEMENT AND PLANNING CONCEPT MUST STILL BE SOLD TO CABINET. JUDGING FROM HANDLING OF AMATEX NEGOTIATIONS, TOUFIQI MAY NOT HAVE SUFFICIENT "STATURE" HIMSELF TO DELIVER CABINET APPROVAL. POTENTIAL OF THIS PROJECT IS STILL IMMENSE, BUT INVESTMENT APPEARS INCREASINGLY RISKY, ESPECIALLY IN FACE OF GOA ACTIONS AGAINST PRIVATE SECTOR SUCH AS INSURANCE AND BANK NATIONALIZATION. END COMMENT.  
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